Chapter 10 Expanding Globalization

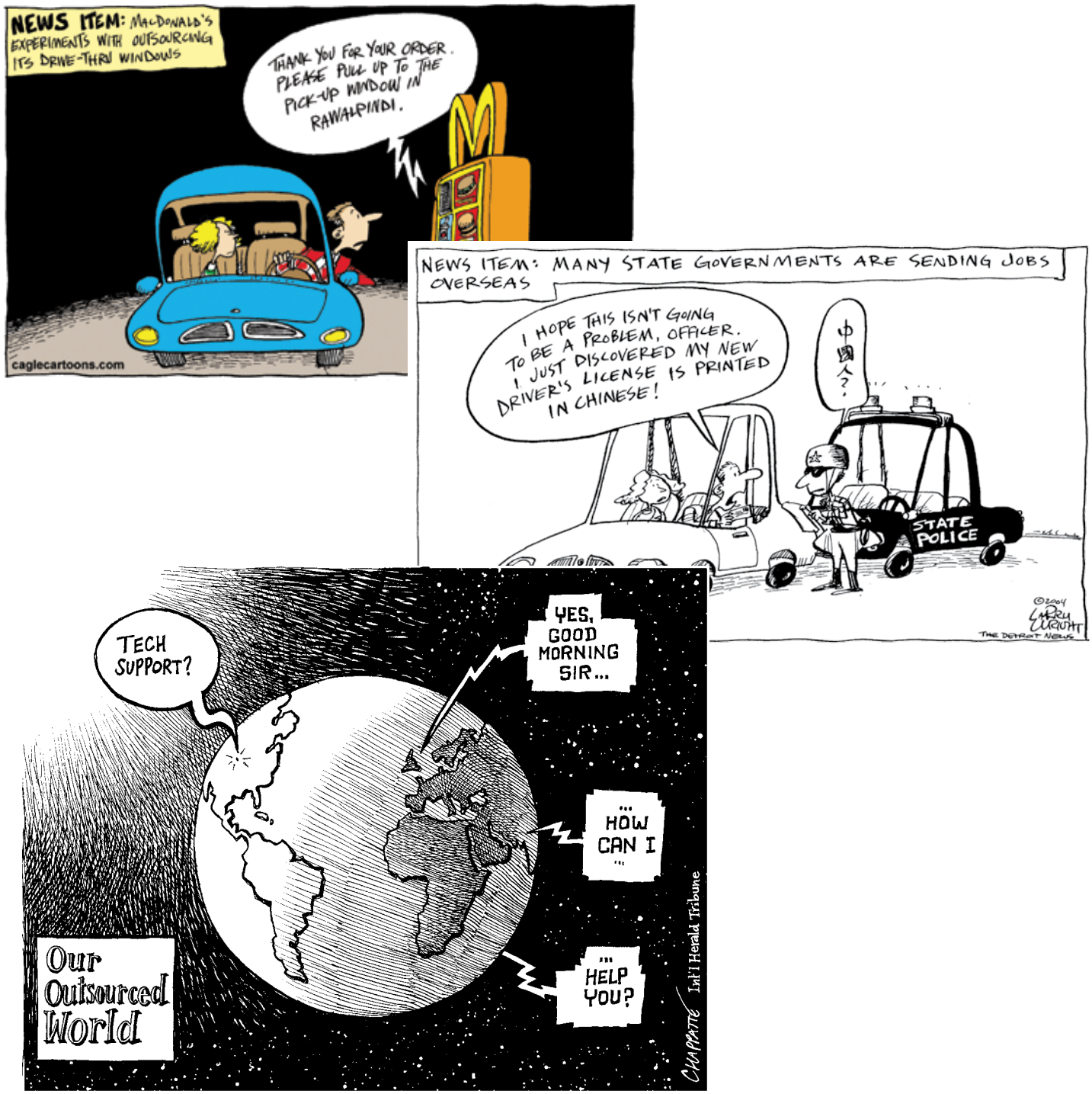

NEWS ITEM: MACDONALD'S EXPERIMENTS WITH OUTSOURCING ITS DRIVE-THRU WINDOWS
THANK YOU FOR YOUR ORDER. PLEASE PULL UP TO THE PICK-UP WINDOW IN RAWALPINDI.
caglecartoons.com
NEWS ITEM: MANY STATE GOVERNMENTS ARE SENDING JOBS OVERSEAS
I HOPE THIS ISN'T GOING TO BE A PROBLEM, OFFICER. I JUST DISCOVERED MY NEW DRIVER'S LICENSE IS PRINTED IN CHINESE!
中國人?
STATE POLICE
TECH SUPPORT?
YES, GOOD MORNING SIR...
... HOW CAN I ...
... HELP YOU?
Our Outsourced World
Int'l Herald Tribune

Figure 10-1 Cartoons can effectively focus attention on trends, people, or events. By limiting the information to a few details, the cartoonist can express a clear point of view. These cartoons are about the current trend of reducing costs by buying supplies and services in other countries.

CHAPTER ISSUE

To what extent do contemporary factors contribute to expanding globalization?

THE POLITICAL CARTOONS on the previous page focus on one result of expanding globalization. Some businesses in developed countries have found that they can reduce costs by hiring people in less developed countries or less developed areas of their own country to do certain jobs. When you call technical support for help with new software, for example, you may end up talking to someone in India, the Philippines, or Moncton, New Brunswick. Some businesses find it cheaper to direct your call across the country or halfway around the world to people who work in places where wages are lower.

In a global economy, businesses can take advantage of cheaper suppliers in less developed parts of the world to remain competitive — sometimes at the cost of Canadian jobs.

Look again at the cartoons. What message is each cartoonist trying to send? Consider the following questions:

- Why do you suppose the cartoonist chose to draw the images in each cartoon?
- What element(s) of the issue has each cartoonist focused on?
- How do words help the visual elements deliver the message?
- How does each cartoon help you understand one point of view on expanding globalization?

Do these political cartoons add to your understanding of the effects of globalization? What would you change to make the cartoons more effective as comments on the issue of sending jobs to less developed parts of the world? What other information might you need to formulate an informed position on this issue?

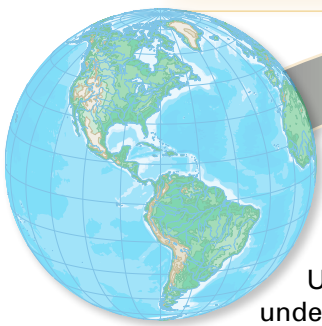
KEY TERMS

outsourcing
containerization
trade liberalization
free trade
consensus
sanctions

LOOKING AHEAD

In this chapter, you will explore answers to the following questions:

- What factors contribute to expanding globalization?
- How do international agreements and organizations contribute to expanding globalization?
- How do transnational corporations contribute to expanding globalization?
- How do communication technologies contribute to expanding globalization?



My Point of View on Globalization

Review the notes you have recorded to express your understandings of globalization and think about what you have learned about whether globalization contributes to prosperity for everyone. Use words or images — or both — to express how your understandings of globalization have changed. Date your ideas and add them to the notebook, learning log, portfolio, or computer file you are keeping as you progress through this course.

What factors contribute to expanding globalization?

CheckBack

You learned about media convergence in Chapter 2.

Globalization creates changes in all aspects of people's lives — the kind of work they do, the food they eat, the clothes they wear, what they read, watch, and listen to, and even how they relate to the physical environment. **Outsourcing** — reducing costs by using suppliers of products and services in less developed parts of the world — is one of the changes that affects the work people do.

Communication Technologies

Innovations in communication technologies have changed the world. When the printing press, for example, was developed, it enabled people to share ideas and information much more easily. But this innovation spread across Europe relatively slowly — it took 20 years for the number of presses to reach 100. Today, communication technologies are changing so quickly that the rate of change has become far faster than ever before. Cellphones, television, radio, computers, and the Internet have come to affect nearly every aspect of people's lives.

Technological convergence is also increasing the rate of globalization. Cellphones, for example, take photographs, make short videos, store hundreds of recordings, function as personal organizers, capture updates on the latest sports scores via the Internet, send e-mails — and still allow you to make phone calls to others.

Convergence also brings together media companies. Today, a newspaper, a textbook publisher, a phone company, a TV network, and a movie production company may all be owned by a single transnational corporation.

Consider the communication technologies you use. Create a three-column chart. In the first column, list the technology (e.g., cellphone). In the second column, list ways the technology has changed over the past 5 to 10 years. In the third column, predict how you think the technology will change in the future and how it might contribute to expanding globalization. With a partner, discuss the similarities and differences in your predictions.

Figure 10-2 Telephones have changed a great deal since they first came into widespread use in the early 20th century. As recently as the 1960s and 1970s, many people, especially in rural areas, still used rotary-dial phones. Telephone technology in 2007 allows small, lightweight devices, such as the Apple iPhone, to combine products such as a mobile phone, an MP3 player with touch controls, and an Internet communication medium with e-mail, Web browsing, and Web searching.

Trade

Technology plays an important role in the expansion of global trade. Today, a typical consumer product is designed, developed, manufactured, and assembled by a host of companies, which may be located practically anywhere in the world. Cars and computers, for example, are often assembled only after they have been ordered by customers. Examine a piece of new technology, such as a cellphone or computer. Can you see where it was designed? Where its parts were made? Where it was assembled? Do you think that you, as a customer, should be entitled to know these things?

This expansion of trade has occurred because countries have opened their economies to outside influences. Governments have allowed foreign products and investment to enter their country. In exchange, businesses and industries in the country have opportunities to sell their goods in international markets.

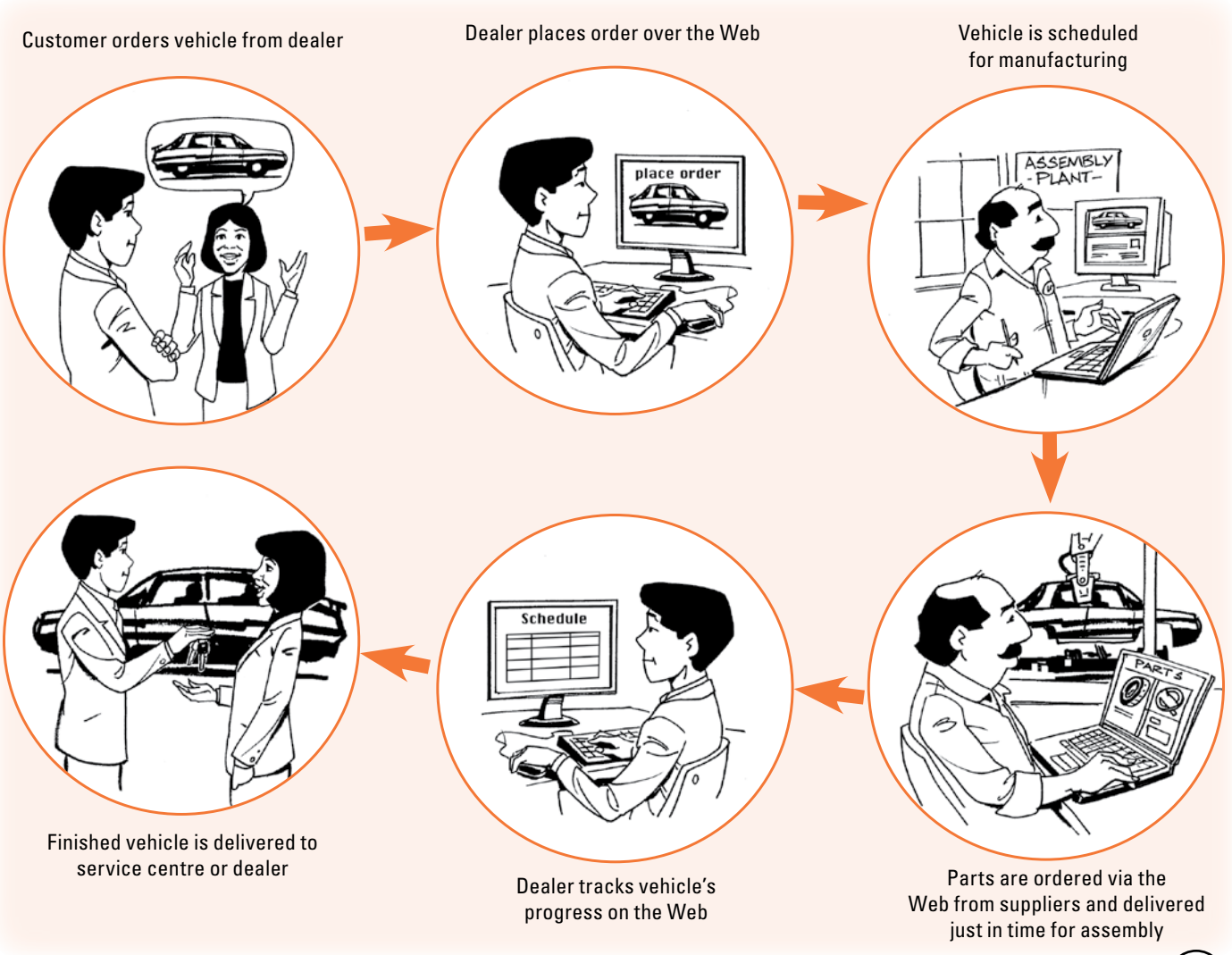
Examine Figure 10-3 on this page. Some of the steps in this process are already under way. Who do you think will benefit from these changes? What might be some of the benefits? Who will not benefit from these changes? What might be some of the drawbacks? Do you think the benefits outweigh the drawbacks — or vice versa?

Web Connection

To learn more about how the government of Canada is promoting world trade and helping businesses make connections, go to this web site and following the links.

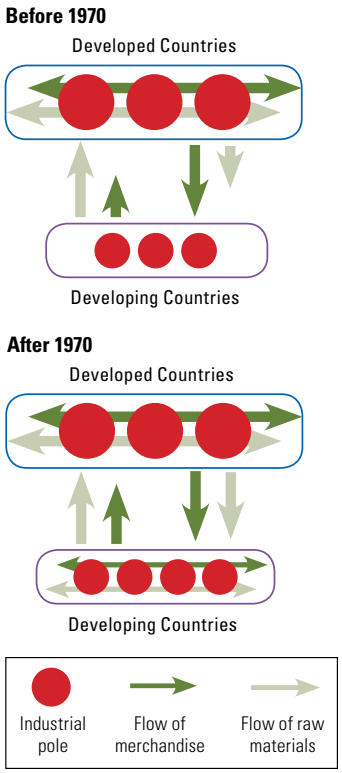
www.ExploringGlobalization.ca

Figure 10-3 The Future of Auto Making


Customer orders vehicle from dealer
Dealer places order over the Web
Vehicle is scheduled for manufacturing
place order
ASSEMBLY - PLANT -
Finished vehicle is delivered to service centre or dealer
Schedule
Dealer tracks vehicle's progress on the Web
Parts are ordered via the Web from suppliers and delivered just in time for assembly

Reshaping trade patterns

Figure 10-4 Flow of Global Trade



The globalization of trade has been reshaping international trade patterns since 1970. Until then, most goods and services moved between developed countries in North America, Europe, and the Asia–Pacific region, especially Japan. Developing countries supplied raw materials and bought some manufactured goods.

Today, goods and services are flowing more frequently between developing countries, particularly those that are developing quickly, such as South Korea, China, Malaysia, India, and Mexico. And more manufactured goods are also flowing out of developing countries to more developed — and wealthier — countries.

Still, exports from developed countries now make up about 75 per cent of the world's total exports. About 83 per cent of these exports are manufactured goods. Developing countries produce 25 per cent of the world's exports, with manufactured goods making up more than 56 per cent of this total. But this balance is starting to shift. The balance of trade between China and the United States, for example, has been in China's favour for several years.

Examine Figure 10-4. This diagram suggests that increased global trade has benefited developing countries. What factors do you think have encouraged this pattern?

FYI

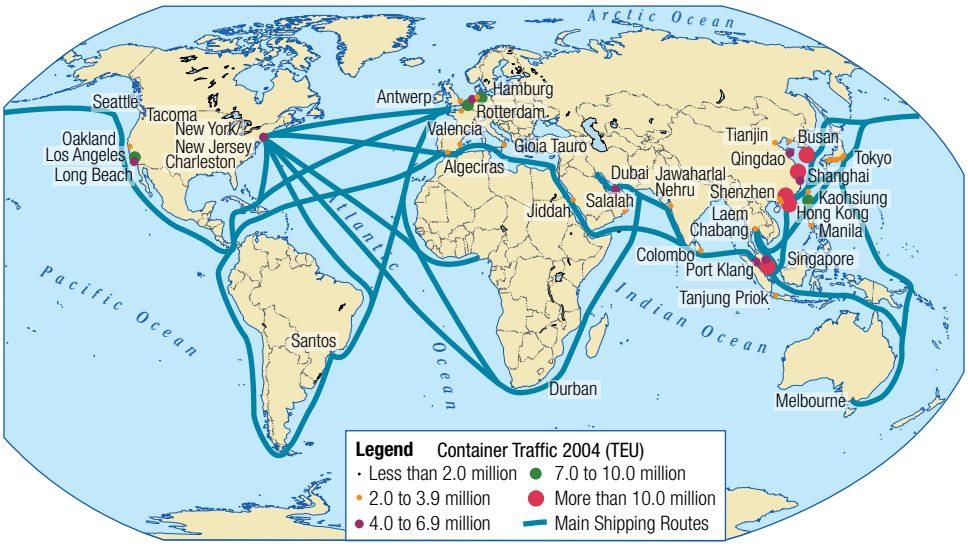
By weight, 96 per cent of world trade products is carried on ships. A large share of this trade is carried in containers.

Transportation

For globalization to operate smoothly, parts and products must be shipped cheaply and in a timely manner. The key to shipping goods more cheaply and efficiently has been **containerization** — the transporting of goods in standard-sized shipping containers. Containers of goods are shipped along clearly defined routes to large transshipment terminals at strategic locations around the world. Figure 10-5 shows the importance of ports like Hong Kong, Singapore, and New York to the movement of containers.

The unit called TEU in Figure 10-5 stands for "20-foot equivalent unit" — a container that is 6.1 metres long. But most containers today are twice this size. What patterns do you see on the map?

Figure 10-5 Traffic at the Largest Container Ports, 2004



CheckBack

You learned about containers and their importance to global trade in Chapter 2.

Just-in-time delivery systems

The just-in-time delivery and inventory system used today by many manufacturers means that parts are ordered and scheduled to arrive at the factory at the moment they are needed. They are shipped, unloaded from containers, and moved directly onto the factory floor. This saves handling and storage costs because parts no longer need to be kept in warehouses until they are required. How might this system enable businesses to compete more successfully?

VOICES

Transportation, in terms of modes and routing, is no longer of much concern for customers, as long as shipments reach their destinations within an expected cost and time range. Thus the concerns are mainly with cost and level of service. For the customer of intermodal transport services, transportation and distance appear to be meaningless.

— Jean-Paul Rodrigue, economist and geographer, Hofstra University

The Media

Though the media and communication technologies are closely connected, the media play a distinct role in expanding globalization.

One way the media contribute to expanding globalization is by running commercials that encourage consumers to buy products. This expands the market for goods and services. The effect of the media becomes even stronger when celebrities — whose influence is boosted by media coverage — lend their names to product lines. Think about how you decided which brand to choose last time you went shopping. How much did ads you heard on the radio, read in magazines, or saw on TV influence your buying decisions?

A desire for these products and services also encourages consumers to support government efforts to make it easier for foreign products and services to enter a country.

Media convergence has also resulted in the commercialization of news. Former CNN correspondent Charles Bierbauer, for example, said that a war is going on in newsrooms — and it is "newsrooms versus entertainment." He said that the quest for higher ratings often dictates decisions about which news stories are covered.

Meanwhile, technological convergence has enabled people to connect in a number of ways. Cellphones, for example, allow people to learn about events and other people's ideas and thoughts, often before the mainstream media deliver the story. And if you have a cellphone, it can even make you part of the media. With devices that take pictures and record videos that can be sent to news programs or posted on social networking sites, you can contribute to local and global newsmaking.

Figure 10-6 A new line of clothing by pop star Madonna for Swedish cheap-chic retailer H&M sold out in minutes after going on sale in March 2007 — and the buying frenzy was fed by media coverage. Do you think that events like this are newsworthy and should be covered as news stories?

REFLECT AND RESPOND

Create a mind map to show how the four topics discussed in this section of the chapter contribute to expanding globalization. In the centre of the map, place this term: "Factors Contributing to Expanding Globalization." Extending outward from the centre, draw and label four branches: "Communication Technologies," "Trade," "Transportation," and "The Media." Add point-form comments at the end of each branch, then look for connections among them.

THE MAQUILADORAS OF MEXICO

Stretching the length of the border between the United States and Mexico is a 210-kilometre strip of land known as the maquila or maquiladora zone. Maquilas, or maquiladoras, are foreign-owned factories. In Mexico, where 40 per cent of people live below the poverty line, maquiladoras provide jobs for more than a million people. But these jobs come at a cost that some people say is too high. The labourers, many of them women, work very long hours for low wages in conditions that are often difficult.

"The job is a terror," one woman told an interviewer. "The noise. The monotony. The constant danger of the machine . . . Sometimes I have a nightmare in which the machine swallows me whole. In the factory, the [assembly] line is the worst. It crushes your fingers and, in the end, your mind as well."

Pros and Cons of Maquiladoras

More than 3000 maquiladoras employ about 17 per cent of the Mexican workforce. This makes maquiladoras Mexico's second-largest source of jobs. This sector accounts for 25 per cent of the country's gross domestic product and 45 per cent of its exports.

Because of the low wages and harsh working conditions, maquiladoras are controversial. Some people defend them, saying they provide a way for Mexicans to get ahead. But others say that when companies move their operations to Mexico to take advantage of lower labour costs and looser environmental rules, they are exploiting Mexican workers and taking high-paying jobs away from workers in developed countries.

Figure 10-7 The Maquiladora Zone

How Maquiladoras Began

The term "maquiladora" is a Latin-American Spanish word that has come to mean foreign-owned plants where goods are assembled for export to the United States.

The maquiladoras were set up under a special government program that started in 1965 and offered tax breaks to companies that located in the maquiladora zone.

In 1972, the program was expanded to include all of Mexico. Now, every Mexican state has at least one maquila. But most plants remain in the maquiladora zone to take advantage of lower transportation costs to the U.S.

About 87 per cent of maquiladoras are either directly owned branch plants of American corporations or subsidiaries of U.S. companies. Transnationals that operate maquiladoras include BMW, Volkswagen, Fisher Price, Ford, General Motors, Honda, Nissan, IBM, and Mattel.

In the past, most maquila jobs were low-wage assembly-line positions that required few skills. Low taxes and low wages meant higher profits for manufacturers. But today, new plants are being built and more jobs involve automated manufacturing, research, design, and development. And working conditions in many maquiladoras are improving.

Figure 10-8 Advantages of Maquiladoras for Foreign-Owned Companies

Working Conditions and Costs	Advantages
Wages	Wages for assembly-line workers are much lower than in developed countries.
Work Week	The standard work week in Mexico is 48 hours, compared to 40 hours — or less — in the United States and Canada.
Costs	Government programs keep start-up costs and the overall costs of making goods lower than in developed countries.
Transportation	Being close to markets in the U.S. keeps transportation costs low and allows goods to be moved by rail or road.

Concerns about Workers

Most maquiladora workers are young girls and women. Employers prefer to hire women because women in developing countries generally receive lower wages. In addition, companies find that women will often tolerate worse working conditions than men. This has led critics of maquiladoras to charge that the sector exploits women.

But employers argue that maquiladora workers earn more than female workers in other parts of Mexico. They are also acquiring new skills. And the balance of the labour force is shifting — in 1980, 80 per cent of maquiladora employees were female, but this figure is now about 60 per cent.

Low wages are the key to attracting foreign companies to Mexico, so there is pressure to keep pay rates down. This means that for many workers, salaries are not high enough to meet basic needs. Estimates have suggested that some labourers must work more than four hours to earn enough money to buy four litres of milk. And most workers live in hastily built and inadequate shantytowns, often far from their home and family.

In addition, forced overtime is common, conditions are often unsafe, and some workers are younger than the minimum working age, which is 14 in Mexico.

Employment stability is also a problem. Employee turnover in some maquiladoras reaches 80 per cent because of poor working conditions. In addition, the maquiladoras act as shock absorbers for the foreign corporations that own them. When these companies face hard times, they lay off Mexican workers or close plants. Currency exchange rates can also make Mexican wages more expensive than wages in Malaysia or China, for example, and this can trigger a shifting of work out of Mexico.

Concerns about the Environment

Many maquiladoras use toxic chemicals in their operations, and these may be harmful to workers. In addition, international agreements require companies to transport their hazardous waste into the United States for disposal. But to save money, many companies simply dump it — illegally — in Mexico. Because these companies pay little in taxes and can threaten to move if their costs become too high, local governments can do little to protect the environment.

Figure 10-9 These workers at a maquiladora in Reynosa, Mexico, are packaging seat-belt components for export to the United States.

Explorations

1. Explain why maquiladoras have become an important part of expanding globalization. What do foreign companies gain? What do consumers gain?
2. Examine Figure 10-8. Based on the information it contains, what do you think Mexican workers gain from maquiladoras? Do you think the benefits of maquiladoras outweigh the costs — or vice versa? Locate your position on a continuum like the one shown. Explain the criteria for your judgment.

Too costly _____ Highly beneficial

3. As globalization continues, what do think will happen to maquiladoras? Will this sector expand or become smaller? What will be the major forces behind this change? Explain your thinking to a classmate and work together to write a brief summary of your ideas.

How do international agreements and organizations contribute to expanding globalization?

FYI

Some countries have taken free trade farther by joining one another in a free-trade organization. The North American Free Trade Agreement, for example, links Canada, Mexico, and the United States in a free-trade relationship. In 1994, countries in North, Central, and South America started negotiations to extend NAFTA by uniting 34 democracies, including Canada, in a Free Trade Area of the Americas. Though efforts so far have failed, the idea remains alive.

A key element in expanding globalization is reducing trade barriers so that goods and services can move around the world easily. This process is called **trade liberalization**.

To achieve this goal, countries must get rid of measures — such as tariffs, quotas, regulations, and standards — that protect and regulate businesses and industries within their borders. When two countries agree to eliminate all tariffs and taxes on goods and services traded between them, the result is **free trade.** In theory, free trade is reciprocal. Businesses and industries in both countries benefit because they can sell their goods or services in the other country. Local companies can expand into new markets. This creates jobs, uses resources, and reduces the cost of consumer goods.

Examine Figures 10-10 and 10-11, which show how liberalizing trade in clothing affected Canada and other countries. Who do you think benefited and who was harmed by this action?

The World Trade Organization

The World Trade Organization was established in 1995 to increase international trade by lowering trade barriers and making trade more predictable. The WTO ensures that the terms of trade agreements are followed, settles trade disputes between governments, and conducts trade negotiations. Decisions made by the WTO are binding — member countries must abide by its rulings.

The WTO officially has a one-country, one-vote system, but in practice, decisions are made by coming to a **consensus** — a general agreement. All members must support a consensus decision. Why might the WTO's members have chosen this method of making decisions? Why might a yes-or-no vote not work as well at the WTO?

Building consensus often means that it takes a long time to reach a decision, and in an effort to satisfy the concerns of everyone involved, final agreements sometimes end up using language that is open to interpretation.

Figure 10-10 Clothing Imports to Canada, 1990–2005

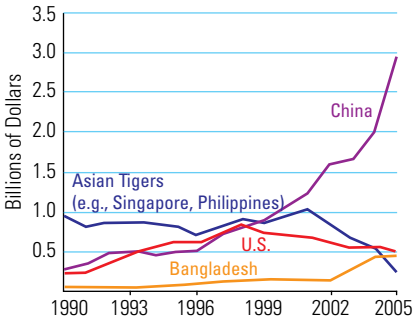


Figure 10-11 Effects of Trade Liberalization on the Canadian Clothing Industry

Period	Trade Conditions	Effects
1989–1995	Canada–United States Free Trade Agreement eliminated tariffs on clothing imports and exports between the two countries.	Canadian clothing exports to the U.S. grew, as did imports from the U.S. into Canada.
1995–2002	Canada eliminated quotas on some clothing products from developing countries.	Clothing imports from developing countries grew; imports from the U.S. dropped.
2002–2005	All trade restrictions were removed from clothing imported to Canada from developing countries.	Imports from China and Bangladesh more than tripled, while imports from other developing countries and the U.S. dropped. Domestic production fell. Clothing prices in Canada declined by 5.8 per cent.

Resolving disputes at the WTO

When one member country says another member country is treating it unfairly in a trade matter, the WTO must settle the dispute. A panel of three WTO officials hears the arguments of both sides and makes a decision. The panel's decision may force one of the countries to change its laws or make a payment. The WTO has the power to use **sanctions** — economic actions, such as a trade boycott — to enforce its decisions.

In 2002, for example, Canada asked the WTO to rule on a longstanding dispute with the United States over softwood lumber. In 2006, the WTO finally ruled in Canada's favour. The decision removed American tariffs on Canadian lumber and required the U.S. to repay about 80 per cent of the more than $5 billion it had collected in tariffs on lumber imports from Canada.

Web Connection

The United Nations gathers statistics on all the countries of the world so that planners in organizations like the WTO can use the data to make informed decisions. To read the UN's 2005 human development report, including the chapter on trade, go to this web site and follow the links.

www.ExploringGlobalization.ca

Perspectives on the WTO

Those who oppose the trade liberalization that fosters globalization have targeted the WTO for criticism. They have said

- The WTO has too much power. It can force countries to change their laws and regulations to make them fit WTO rules.
- The WTO is not democratically accountable. Hearings on trade disputes are closed to the public and the media.
- The WTO does not care enough about the problems of developing countries. It has not forced rich countries to fully open their markets to products from developing countries.
- The WTO has not done enough about the environment, child labour, workers' rights, or health care.

Those who support the WTO point out that its rules were written by member states, many of which are democracies. They also say that trade improvements brought about by the WTO have raised — and will continue to raise — living standards around the world.

Do you support the work of the WTO, or do you think the criticisms of this organization are valid? Explain your answer. How could you find out more about the WTO so that your position can be better informed? With a partner, create a five-step plan that could guide an investigation of the strengths and weaknesses of the WTO.

Figure 10-12 WTO meetings attract protesters. In 2000, these people marched in Seattle, Washington, to commemorate the first anniversary of a huge protest that took place when WTO representatives met there in 1999.

BUILDING CONSENSUS

FOCUS ON SKILLS

Voting is a quick way of making decisions, but the result may leave those in the minority feeling left out of the decision-making process. As a result, some organizations and groups use a different process. Indigenous peoples such as the Haudenosaunee Confederacy, for example, often make decisions based on consensus, or general agreement. Consensus building is also known as collaborative problem solving.

Coming to a consensus is a group process that involves exchanging ideas, listening carefully to others, and negotiating and compromising to find a solution that everyone can live with. Achieving consensus can take longer than voting because everyone plays a role in the process and everyone's voice is heard.

Suppose your class was asked to write a collective letter to the editor of your community newspaper or add to a collective blog expressing support for, or opposition to, the WTO. Which position would you take? As a class, follow these steps to reach a consensus on the group's position.

Steps to Building Consensus

Step 1: Brainstorm

Choose someone to guide the discussion and someone to record ideas. If you are working in a small group, the discussion guide and recorder might be the same person.

Begin by brainstorming to create a list of ideas or options that should be included in the decision to support or oppose the WTO. Be sure that everyone has a chance to contribute ideas, and remember that all ideas are welcome. Do not judge the ideas at this stage — even ideas that seem silly or unrelated can inspire other helpful ideas. Set a time limit for this part of the process or stop after no new ideas have been added for a minute or two.

When you finish brainstorming, narrow down the options on your list. As a group, combine those that are similar and remove those that do not seem to fit.

Vocabulary Tip

Consensus means general agreement, but this does not mean that everyone in a group necessarily supports the decision with the same enthusiasm. The first choice of some group members might have been different — but they may be willing to live with the group's decision for the sake of reaching agreement. In other words, consensus can mean a lack of disagreement rather than enthusiastic agreement.

A **general consensus** usually suggests that most, and perhaps even all, members of a group agree with a decision — to a greater or lesser extent. A **rough consensus** suggests that many people in a group agree, but others still have doubts.

Step 2: Discuss pros and cons

Think about and discuss the advantages and disadvantages of each option. Make sure everyone has an opportunity to contribute opinions and ask questions. The recorder should note areas of agreement and disagreement. A chart that organizes these points would be useful at this stage.

Step 3: Compromise and negotiate

Identify points on which there seems to be agreement. Then identify the points on which there is disagreement. Consider the reasons for the disagreements and try to resolve these differences by exploring answers to the following questions:

- Can an option be changed slightly to make it acceptable to more group members?
- Can options be combined to satisfy more group members?
- Would a new, different option satisfy all group members?

Step 4: Call for consensus

When one option seems right for the group, the discussion guide should ask whether anyone still has concerns. Pause long enough to give group members a chance to express their thoughts. If no one raises concerns, the discussion guide can declare that a consensus has been reached.

If members of the group express concerns, go through the steps again. It is important for all group members to feel that their voices have been heard.

FOCUS ON SKILLS FOCUS ON SKILLS
FOCUS ON SKILLS FOCUS ON SKILLS FOCUS ON SKILLS

Tips for Making Consensus Building Work
Trust one another. Building consensus is not a competition. All members of the group must be comfortable about expressing their ideas and opinions.
Make sure everyone understands. Check often to ensure that all group members are listening carefully to — and understanding — one another.
Make sure everyone has a chance to contribute. Consensus building works best when all group members feel that their voices have been heard and everyone plays a role in reaching the group's decision.
Stay on track. Building consensus can be a long process. It sometimes helps to appoint a group member to remind people to stay focused on the topic.
Be prepared to compromise. Be flexible and willing to give up something to reach an agreement.
Keep the issue separate from personalities. Consider your own reactions and make sure that you are not agreeing or disagreeing because you like or do not like someone.
Be patient. Building consensus takes time, and rushing may result in a decision that may not be the best in the long run.

When consensus cannot be reached

Sometimes, group members cannot reach a consensus. When this happens, they may decide to take a vote. But this does not always mean that the majority wins and the minority loses. Even voting can be set up so that it represents a rough consensus.

Here is one way of doing this.

1. Count the number of options on the list and divide by three. The quotient is the number of votes assigned to each group member. If the list includes 12 options, for example, each group member can vote four times ($12 \div 3 = 4$).
2. In this example, each group member votes for her or his four top choices. This may be done by a show of hands or by giving each group member four stickers to place beside his or her choices.
3. Count the total number of votes for each option. The option with the highest number of votes is the one chosen.

Summing up

As you progress through this course, you will encounter other occasions when you may wish to reach a decision by building consensus. You can use similar steps to help you do this.

The North American Free Trade Agreement

The Free Trade Agreement between Canada and the United States went into effect in 1989. On January 1, 1994, this agreement was expanded to include Mexico — and the North American Free Trade Agreement, the largest free-trade area in the world, was the result. NAFTA, which was the world's largest free trade zone at the time, immediately eliminated half the trade barriers between the three countries. The remaining barriers were to be phased out over the next 15 years.

The negotiations that led to NAFTA sparked bitter debate. People for and against the agreement expressed strong views about the effects of the agreement. These differences of opinion arose because this was the first free-trade agreement between countries with such different levels of development. What groups do you suppose supported NAFTA? What groups were likely to oppose it?

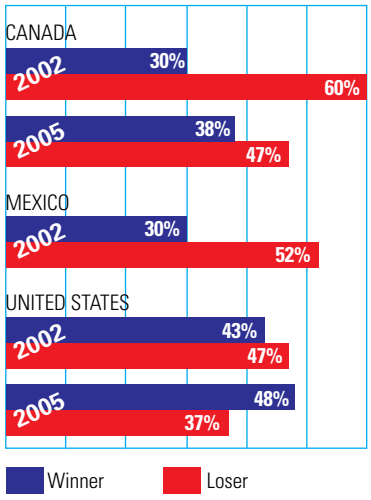
In the years since Canada joined NAFTA, the country's economic relations have changed.

- Canadian exports to Mexico increased fourfold between 1993 and 2005.
- Canadian exports to the U.S. rose to $359 billion in 2000 from $183 billion in 1994.
- Canadian investment in Mexico rose 200 per cent between 1990 and 2006.
- Canadian investment in the U.S. tripled between 1990 and 2003. At the same time, U.S. investment in Canada rose by 150 per cent.
- Since NAFTA came into effect, the Canadian economy has grown an average of 3.4 per cent a year and 2.5 million new jobs have been created.

During the same period, more than 7000 manufacturing jobs shifted out of Canada to Mexico. And wages in manufacturing have remained the same or declined since NAFTA came into effect.

In 2005, Ipsos Reid, a Canadian polling company, studied pubic opinion in Canada, Mexico, and the U.S. to find out whether people believed that they had won or lost as a result of NAFTA. The results are shown in Figure 10-13.

Figure 10-13 Perceived Winners and Losers under NAFTA



Source: Ipsos Reid

Examine the data in Figure 10-13. What patterns do you see? How do the opinions of people in the three countries compare with one another? Why might there be differences in the perception of winners and losers from one country to another? How does your opinion of NAFTA compare with the opinions shown on the graph? Compare your answers with those of a partner, then work together to draft a brief description of your attitudes toward NAFTA.

Figure 10-14 Differing Views on NAFTA

NAFTA Supporters	NAFTA Opponents
Supporters believed that NAFTA • would create thousands of high-paying jobs • would raise living standards in Canada, Mexico, and the U.S. • would improve environmental and employment standards • would transform Mexico from a developing country to a developed country	Opponents believed that NAFTA • would cause thousands of jobs to leave Canada and the U.S. for Mexico • would create a "race to the bottom" for wages in all three countries • would undermine health, environmental, and safety standards • would undermine the ability of member states to make their own decisions

The European Union

The European Union, or EU, has created a liberalized trading area in Europe. As a result, goods, services, money, and people can move easily from one country to another — an effect some people describe as a regional variation on globalization.

The EU has tied member countries more closely together, integrating their economies and even replacing separate national currencies with the euro. How might using a common currency tie countries together? How might this encourage globalization?

The EU came into effect in 1991 after more than 40 years of negotiations. Today, most obstacles to cross-border trade among EU member countries have been eliminated. By acting as one large market, the EU enables members to take advantage of the opportunities created by economic globalization. At the same time, it protects members against some of the challenges created by globalization. These challenges may include pressure to reduce spending on social programs to keep a country's economy competitive. What advantages might EU membership offer to Europeans?

If you were a business leader in a developing African or Asian country, would you view the European Union as a threat or an opportunity? Explain the reasons for your judgment.

Figure 10-15 The European Union and NAFTA

Category	European Union	NAFTA
Area	4 324 782 sq. km	21 588 638 sq. km
Population (2006 est.)	486 642 000	438 992 672
Members	27	3
GDP (2006)	$12.82 trillion (U.S.)	$15.279 trillion (U.S.)
GDP per Person (2006)	$29 400 (U.S.)	$34 805 (U.S.)

Figure 10-16 Holding EU and Romanian flags, this man celebrates Romania's entry into the EU on January 1, 2007. The circle of 12 stars on the EU flag represents solidarity and harmony among the peoples of Europe. The number 12 is a traditional symbol of perfection, completeness, and unity — and the flag can remain the same as the EU expands. If you were creating a flag for NAFTA, what symbol(s) would you include? Why?

More than a trade agreement

The EU goes farther than other free-trade agreements. Though member countries have their own national governments, a European parliament makes decisions on issues that affect the region as a whole. An important focus for this parliament is to ensure that social progress is linked to economic progress. Recent initiatives have included taking action to end discrimination and to protect workers' rights. These programs have been guided by a belief that investment in social resources is necessary if Europe is to remain competitive in a globalizing world.

REFLECT AND RESPOND

Recall what you learned in Chapter 9 about the ideas of economists John Maynard Keynes, Friedrich Hayek, and Milton Friedman. Then think about what you have learned about trade liberalization and the roles of the WTO, NAFTA, and the EU. Whose ideas do you believe were most influential in the creation of these organizations? How are these ideas shaping contemporary economic globalization? Explain the reasons for your judgment.

CheckBack

You read about transnational corporations in Chapter 2.

How do transnational corporations contribute to expanding globalization?

Transnational corporations reduce costs and increase profits by building factories, service centres, and retail outlets in various countries. They do this to ensure that they have

- the resources and parts needed to manufacture their products
- a steady, reliable source of labour
- markets where they can sell their goods and services

The increased trade liberalization of globalized economies has led to a sharp increase in the number of transnational corporations. In 1990, about 35 000 transnationals operated around the world. By 2002, this number had grown by about 86 per cent to more than 65 000.

Transnationals have also been growing larger as they increase sales and buy other companies. About 70 per cent of global trade transactions involve transnationals, but more than half these corporations are based in just five countries: the United States, Japan, France, Germany, and Britain. Why do you suppose transnationals are so closely connected to such a small group of countries?

Figure 10-17 Top 25 Transnational Corporations, 2005

Rank	Company	Revenues (millions of $ U.S.)
1	Wal-Mart	287 989
2	BP	285 059
3	Exxon Mobil	270 772
4	Royal Dutch/ Shell Group	268 690
5	General Motors	193 517
6	Daimler Chrysler	176 687
7	Toyota	172 616
8	Ford	172 233
9	General Electric	152 866
10	Total	152 609
11	Chevron Texaco	147 967
12	ConocoPhillips	121 663
13	AXA	121 606
14	Allianz	118 937
15	Volkswagen	110 649
16	Citigroup	108 276
17	ING Group	105 886
18	Nippon Telegraph & Telephone	100 545
19	American International Group	97 987
20	IBM	96 293
21	Siemens	91 493
22	Carrefour	90 382
23	Hitachi	83 994
24	Assicurazioni Generali	83 268
25	Matsushita	81 078

Source: *Forbes* magazine

The Influence of Transnational Corporations

Transnational corporations dominate some key parts of the world economy. They control most of the world's energy and extract most of its mineral resources. They manufacture a huge share of the world's chemicals, medicines, cars, aircraft, communication satellites, and home and office electronics. An estimated 85 per cent of the world's grain supply, for example, is controlled by six companies: Cargill, Continental Grain, Louis Dreyfus, Bunge, Andre/Garnac, and Mitsui/Cook. In what ways might this control by transnationals affect you and other Canadian consumers?

The ability of transnationals to move their operations around the world means that governments must compete to attract their business. And the threat that a transnational might leave a community forces governments to make concessions. To attract and keep transnationals in their community, some governments have used strategies like reducing taxes, selling natural resources at bargain prices, and adopting policies that transnationals will find helpful. This makes transnationals very powerful and, in some senses, reduces the decision-making power of governments. Do you think people should be concerned about this trend?

Examine Figure 10-17. How many of the transnationals on this list are familiar to you? What are some of the goods and services they produce? On a scale of 1 to 10 (1 = highly negative; 10 = highly positive), rank the effects of the growth in the number of transnationals. Explain the reasons for your judgment.

Transnational Corporations and Poverty Reduction

Many economists believe that one way to reduce poverty in developing countries is to invest in businesses and infrastructure, such as power grids and transportation facilities. In the past, most money for investments like these came through foreign aid from the governments of wealthy countries. In 1990, for example, foreign aid accounted for 75 per cent of the investment in developing countries.

The shift toward liberalized trade has moved the focus from governments to private companies. Today, 75 per cent of investment in developing companies comes from the private sector, especially transnational corporations. By 2000, private investment in developing countries had exceeded $250 billion (U.S.). How do you think the goals of government investment and private sector investment are different? The same?

Some countries have benefited from private sector investment. Poverty rates in countries such as South Korea, Malaysia, and India have been reduced because these countries have large markets and liberalized trade policies. For most countries, however, private foreign investment has made little or no difference. Smaller countries have a hard time attracting investors. Competition among developing countries for investment dollars has the negative effect of pushing wages down while reducing social spending. In the end, even if countries can attract investment, poverty remains a persistent problem.

Imagine a world in which transnational corporations have replaced national governments as the most powerful forces. How might this affect the lives of people in both developing and developed countries? Do you think that the growing power of transnational corporations will eventually encourage or discourage prosperity for all? Explain your answer.

VOICES

The costs and benefits of trade have been unevenly distributed across and within countries, perpetuating a pattern of globalization that builds prosperity for some amid mass poverty and deepening inequality for others.

— *United Nations,* Human Development Report 2005

FYI

Wages are usually lower in developing countries. The minimum wage in Alberta, for example, was $7 an hour in 2006. In Indonesia or Bangladesh, factory workers might be paid $1 or $2 a day. Lower wages help transnational corporations remain competitive and meet profit targets.

Talisman Energy — A Canadian Transnational

Once a Canadian subsidiary of British Petroleum, Talisman Energy became an independent company in 1992. With headquarters in Calgary, Talisman is one of Canada's largest oil and gas producers. This transnational corporation has interests in crude oil, natural gas, and liquid natural gas around the world. The company's activities include exploration, development of energy resources, production, and marketing.

Talisman has focused its efforts in Western Canada and the North Sea, which account for about 77 per cent of production. But activities in other parts of the world help Talisman reduce its risks and take advantage of other opportunities.

Figure 10-18 In 1999, villagers in Heglig, Sudan, celebrated the inauguration of an oil pipeline. Canadian flags were waved because of Talisman Energy's heavy involvement in this project, which later sparked heated controversy. Why do you think these Sudanese people were excited by this project?

Talisman and corporate responsibility

Talisman was linked to a controversial operation in Sudan, where the company had developed an oil field while the country was involved in a brutal civil war. Critics accused Talisman of supporting a government that was committing genocide against civilians in rebel-held territories. Pressure from church groups and non-governmental organizations was so strong that Talisman sold its Sudan operations in 2003. Do you think Talisman's sale of its Sudan operations demonstrated corporate social responsibility? Explain your response.

In 2006, Talisman and Scottish and Southern Energy won approval to lead a consortium — an association of large companies — to test a deepwater wind-farm project in the North Sea. If the pilot project is successful, a wind farm will be built about 19 kilometres offshore. When complete, the project is expected to produce enough energy to supply about one-fifth of Scotland's energy needs.

Figure 10-19 In August 2006, the first of two huge wind turbines developed by Talisman Energy and a consortium of other companies was transported to a location in the North Sea. The blades of the turbine are 63 metres long, and the structures will tower 170 metres above sea level.

List some Talisman Energy activities that are typical of transnational corporations. Why do you think the company pursues these activities? Which is more important: a transnational corporation's obligations to its shareholders or its obligation to operate in a socially responsible manner?

Figure 10-20 When Talisman Energy held its 2002 annual general meeting, demonstrators gathered in Calgary to protest the company's involvement in Sudan.

REFLECT AND RESPOND

Using some of the vocabulary you have learned so far (e.g., trade liberalization, tariffs, and outsourcing), write three sentences that describe the conditions that provide the most significant benefits for transnational corporations.

Then write a three-paragraph opinion piece that describes the extent to which transnational corporations contribute to expanding globalization.

POINTS OF VIEW

What are some of the challenges and opportunities that go along with expanding globalization? Here are three people's thoughts on this question.

Ed Broadbent is a former member of Parliament, former leader of the New Democratic Party of Canada, and founding president of the International Center for Human Rights and Democratic Development. He made these remarks in a 2003 speech.

> The cliché is true: We are no longer citizens of our cities, provinces and countries. We Canadians are now citizens of the world whose daily life is being shaped by the new trade rules of globalization . . . As global citizens, we must make sure that the governments we elect and the corporations we buy from live up to basic democratic requirements . . . Until this happens, there can be no global democracy.

Maude Barlow is an author; the national chairperson of the Council of Canadians, a citizens' group; and a director of the International Forum on Globalization, an organization that monitors the effects of globalization. She made these comments in a 1999 message titled "Who's in Charge of the Global Economy?"

> The dominant development model of our time is economic globalization . . . Everything is for sale, even those areas of life once considered sacred. Increasingly, these services and resources are controlled by a handful of transnational corporations who shape national and international law to suit their interests. At the heart of this transformation is an all-out assault on virtually every public sphere of life, including the democratic underpinning of our legal system.

Kofi Annan was secretary-general of the United Nations from 1997 to 2006. These remarks were part of his address to the World Economic Forum in 2001.

> My friends, the simple fact of the matter is this: if we cannot make globalization work for all, in the end it will work for none. The unequal distribution of benefits, and the imbalances in global rule-making, which characterize globalization today, inevitably will produce backlash and protectionism. And that, in turn, threatens to undermine and ultimately to unravel the open world economy that has been so painstakingly constructed over the course of the past half-century.

Explorations

1. In one sentence for each speaker, summarize the key point made by each. On a scale of 1 to 5 (1 = most optimistic; 5 = most pessimistic), assess each speaker's level of optimism about the effects of expanding globalization. Explain your ranking.
2. If you had an opportunity to ask each speaker two questions, what would you want to know? Record your questions in writing. Beside each, explain why you would ask the question.
3. In small groups, use the three quotations as the starting point of a brainstorming session to develop responses to this question: To what extent should we embrace globalization? Try to reach a consensus within the group.

How do communication technologies contribute to expanding globalization?

CheckBack

You learned about the digital divide in Chapter 3.

Information and communication technologies have made globalization possible. But access to these technologies is not equal everywhere in the world, or even across Canada. Differences in financial status, education and skills, age, and geographic location can widen the digital divide.

People and societies that cannot make effective use of contemporary information and communication technologies may have a hard time competing in the global economy and may find themselves at a disadvantage. What disadvantages might people experience as a result of lack of access to these technologies?

Figure 10-21 Canadian Jeffrey Skoll was the first employee and founding president of eBay, one of the world's most successful dot-com companies. Though it started as a small online business in 1995, eBay has become one of the most successful online companies — and Skoll is a multi-billionaire.

E-Commerce

Electronic commerce — or e-commerce — is an area that has been stimulated by communication technologies. Businesses like Amazon and Canadian Tire operate online stores where people can buy what they want, 24 hours a day, and have their purchases shipped to their homes. An online site like eBay connects buyers and sellers and enables them to buy or sell nearly anything. Enhanced Internet security measures have also promoted online credit card sales. Many major retailers and small businesses now earn substantial revenues from e-commerce.

In 2005, online consumer spending by Canadians amounted to $7.9 billion. Nearly 7 million Canadians placed more than 50 million orders. The average order totalled $160. Travel services such as hotel reservations and car rentals were the most common purchase, followed closely by books, magazines, and digital products.

Have you or members of your family shopped online? If you have, what goods or services did you buy? What factors inspired you to shop online? If you have not shopped online, what has kept you from using this source of goods and services? How are online shopping and expanding globalization linked?

Figure 10-22 Conservative MP Steven Fletcher was the first person with quadriplegia — partial or complete paralysis of the arms and legs — to be elected to Parliament. Computer technology helps Fletcher operate a special chair that allows him to ask questions from an upright position in the House of Commons.

Figure 10-23 In 2007, an $8.7-million (U.S.) government-supported pilot project in downtown Tokyo, Japan, embedded computer chips in lampposts, subway station ceilings, and road cement. The chips beam maps, information about history, and store guides to portable computers connected to earphones.

E-commerce and prosperity

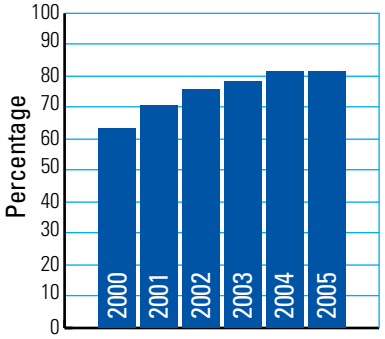
The prosperity generated by e-commerce is largely restricted to people who live in developed countries. Why do you think this would be so?

People in many developing countries do not yet have access to the information and communication technologies that would enable them to share in the benefits of this technology. In most developing countries, the technology infrastructure is either inadequate or non-existent, though new generations of wireless communication technologies may help improve this situation. Distribution and delivery chains may also be inadequate.

In addition, creating a climate of trust in cultures that have traditionally placed great importance on personal contact may create a challenge for the development of e-commerce. And some governments and communication systems are not Internet-friendly. In much of Europe, for example, people must pay for every telephone call and connection, whether it is local or long-distance.

Examine Figure 10-24. Based on the data you see, what prediction would you make about business use of the Internet over the next 10 years in Canada?

Figure 10-24 Percentage of Canadian Businesses Using the Internet



Source: Statistics Canada

Ideas

How do my personal communication systems make me part of expanding globalization?

The students responding to this question are Tom, a fourth-generation Albertan who lives on a ranch near Okotoks; Ling, who was born in Hong Kong but is now a Canadian who lives in Edmonton; and Deven, who was born in India but is now a Canadian who lives in Calgary.

I enjoy finding out about people and places around the world. With just a few keystrokes, I can find out about new ideas, watch important events as they happen, or just watch people in other places. People have never had such immediate access to so much information. Sometimes the ideas overwhelm me, but I feel fortunate to have digital communications in my life.
Tom
I like having my cellphone and using my computer, but I'm concerned that these are advantages that other young people don't have. What will happen to people in other parts of the world if we keep moving forward and the digital divide gets even wider? If the inequalities are too great, at some point global systems won't be able to operate. We should be thinking about making the world a fairer place for everyone.
Ling
My communication systems make my life good. I can keep in touch with the people who are important to me. I especially like to use my computer for entertainment, like playing games and watching movies. Right now, my parents pay for all this — but in a few years, I'll have to start doing this myself. So I worry about the high costs of staying connected. I don't know how I would manage without my cellphone or my high-speed Internet access.
Deven

Your Turn

How would you respond to the question Tom, Ling, and Deven are answering? What are some positive ways that personal communication systems connect you to expanding globalization? What communication challenges might you face over the next few years as a result of expanding globalization? Explain the reasons for your answers.

1. Imagine that you are a 15-year-old living in a small city in the African country of Kenya. Conduct research to identify some aspects of expanding globalization and how they might affect your life. List aspects that affect you directly, as well as those that affect you indirectly. You might organize your ideas on a chart like the following. To help you get started, one section has been filled in.

Globalization Forces Affecting a Teenager in Kenya	
Direct Effects	Indirect Effects
A transnational company has built a manufacturing plant in our city. I might be able to get an assembly-line job there.	The government has reduced spending on environmental protection. Instead, it is building an airport to encourage foreign investment.

Then think about your own life in Alberta — and how expanding globalization affects you directly and indirectly.

Write a paragraph comparing the effects of expanding globalization on your life with its effects on the life of a Kenyan teenager. Be sure to include comments on the reasons for the similarities and differences.

2. Read the following excerpt from the United Nations *Human Development Report 2005*:

> The rules of the game are at the heart of the problem. Developed country governments seldom waste an opportunity to emphasize the virtues of open markets, level playing fields and free trade, especially in their prescriptions for poor countries. Yet the same governments maintain a formidable array of protectionist barriers against developing countries . . . Such policies skew the benefits of globalization in favour of rich countries, while denying millions of people in developing countries a chance to share in the benefits of trade. Hypocrisy and double standards are not strong foundations for a rules-based multilateral system geared towards human development.

How would you rate the validity of this document as a source of information? Why? What problem does this report identify? How would you change "the rules of the game" to give everyone a fair chance of achieving prosperity? With a partner, brainstorm to create a list of ways in which trade rules could be made fairer for developing countries.

Present your suggestions to the class and work with the class to achieve consensus on one way of changing global trade rules to make them fairer.

3. With a partner or small group, brainstorm to create a list of some possible environmental effects of trade liberalization. Create a T-chart like the one shown. In the first column, list possible positive effects, and list possible negative effects in the other. Think about factors such as extracting natural resources, disposing of industrial and household waste, using energy efficiently, and funding environmental protection programs. To help you get started, some examples have been filled in.

Possible Environmental Effects of Trade Liberalization	
Positive	Negative
Countries can pass similar laws to protect the environment.	Transnational corporations might dump waste illegally.

Use the ideas in your chart to create five questions you could use to guide an exploration of the environmental effects of trade liberalization. Conduct research in the library or on the Internet to find answers to your questions. Present your findings in a two-minute audio report, which will be broadcast on the WTO's online youth forum. Be sure to include references to the sources you used when gathering your information.

4. A deep-seated challenge of expanding globalization is that many developing countries enjoy few of the benefits of trade liberalization. Their economies are not strong enough to keep pace with the economic growth of developed countries.

   Suppose you are a reporter for a news service. You have been handed the assignment of covering a meeting of delegates from the world's least developed countries. On the agenda is a discussion of strategies for achieving some of the benefits of trade liberalization and globalization. To prepare for the meeting, you must conduct research so you can ask the delegates informed questions.

   a) Make point-form notes on
      - barriers that stand in the way of developing countries' achieving economic benefits
      - opportunities that could be explored
      - strategies that might be tried

   b) List five questions you would like to ask the key participants. Make sure that your questions show that you are informed about the topics covered in your questions.

5. The economic growth that has resulted from the North American Free Trade Agreement has encouraged governments and advocates of free trade to consider how the idea could be expanded. Several large conferences have been held to talk about turning the Americas into one large free-trade area.

   But not everyone is in favour of this proposal, and the meetings have attracted large protests. Figure 10-25 shows a 2001 demonstration at Gazebo Park in Edmonton. The marchers were lending support to protesters who had gathered in Québec City, where the Summit of the Americas was held.

   Conduct research to find out more about the proposed Free Trade Area of the Americas. When your research is complete, you should be able to answer these questions:

   - What are the goals of advocates of the FTAA?
   - What arguments are raised by those who oppose the idea of the FTAA?
   - What is the Canadian government's position on this issue?
   - What progress has been made on this idea so far?

   Present your findings. You may choose to do this in the form of a written report or an oral presentation. Or you may decide to use computer presentation software. Conclude your report or presentation by stating your own position on the creation of the FTAA and identifying the arguments you found most persuasive in helping you arrive at this position.

AIN'T NO POWER LIKE THE POWER OF THE PEOPLE 'CAUSE THE POWER OF THE PEOPLE DON'T STOP!
THIS IS WHAT DEMOCRACY LOOKS LIKE!
DEMOCRACY - NOT HYPOCRICY!
PEOPLE BEFORE PROFITS!
FAIR TRADE -
NOT FREE TRADE!
CORPORATE GREED SUCKS!

Figure 10-25

Think about Your Challenge

Your challenge for this related issue is to write a persuasive essay on the extent to which globalization contributes to sustainable prosperity for all people. Review the notes you have been keeping in preparation for writing your essay's support paragraphs. Share what you have done so far with a partner or your teacher. If necessary, revise your inquiry questions to reflect the feedback you received.